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ABSTRACT

A study examined implementation of the Redwood worker assistance programs implemented to help mitigate the loss of jobs by timber workers in Northern California upon expansion of the Redwood National Park in 1978. The benefits provided to workers under the Redwood Employee Protection Program (REPP) were generous. As of December 1988, REPP had spent about $104 million on 3,500 individuals. Less than 13 percent of these individuals enrolled in retraining. Of those workers who participated in retraining, officials estimated that about 95 percent completed their training and 25 percent of those relocated. California Employment Development Department (EDD) officials and REPP participants identified several problems they believed hampered implementation of assistance programs. Workers and officials said communication regarding the program was inadequate. EDD officials said that because Department of Labor regulations for retraining were delayed until 14 months after program implementation, educational service providers were reluctant to develop retraining programs and officials lost contact with many dislocated workers before they could be provided with training. Workers and officials said that receipt of benefits was not tied to retraining or job search assistance, and the benefits became a disincentive to work. They also believed that program eligibility was very lenient. During the period of the park's expansion, Humboldt County remained relatively stable, and Del Norte County experienced more fluctuations. (YLB)

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United States General Accounting Office

GAO

Briefing Report to Congressional Requesters

December 1993

# DISLOCATED WORKERS

## A Look Back at the Redwood Employment Training Programs

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**United States**
**General Accounting Office**
**Washington, D.C. 20548**

**Human Resources Division**

B-253594

December 13, 1993

The Honorable Robert H. Michel
Minority Leader

The Honorable Newt Gingrich
Minority Whip
House of Representatives

The Honorable Don Young
Ranking Minority Member
Committee on Natural Resources

The Honorable Floyd Spence
Ranking Minority Member
Committee on Armed Services

The Honorable Ralph Regula
Ranking Minority Member
Subcommittee on Interior
Committee on Appropriations

The expansion of Redwood National Park in 1978 caused many timber workers in Northern California to lose their jobs. In response, the federal government implemented assistance programs to help mitigate the negative effects of the park expansion on the workers and their communities. Now, 15 years later, new concerns about the environment also have resulted in restrictions on the timber industry and the dislocation of timber workers in the Pacific Northwest. To help offset these job losses, the President recently proposed new assistance programs for dislocated timber workers.

To learn more about how such assistance programs have worked in the past, you asked us to provide information on the implementation of the Redwood worker assistance programs. Specifically, you asked us to (1) describe the assistance provided, (2) determine what happened to the workers that received assistance, and (3) describe how the affected communities changed.

## Background

Redwood National Park was established in 1968 with 29,200 acres of public land and 28,800 acres of private land. In 1978, Congress expanded the park from 58,000 acres to 106,000 acres. The two counties most

affected by the park expansion were Humboldt and Del Norte. Humboldt County is situated adjacent to the southern portion of the national park and at the time of expansion had a population of about 107,000 people. Del Norte County is adjacent to the northern part of the park and had a population of approximately 18,000 people. Both counties were timber dependent and lost many jobs because of the park expansion. In 1978, timber workers made up about 17 percent of the workforce in Humboldt County and about 25 percent of the workforce in Del Norte County. By 1992, timber workers constituted less than 10 percent of the workforce in both counties.

Congress recognized that expansion of the park could adversely affect timber workers. It included in the 1978 expansion legislation the Redwood Employee Protection Program (REPP) to provide adversely affected workers with various forms of monetary and nonmonetary assistance including weekly or lump sum wage replacement payments, continuation of health and pension benefits, and retraining and reemployment assistance.[1] Other forms of assistance included economic development loans, a promise of preferential hiring in the Redwood National Park, and the designation of Six Rivers National Forest as an alternative timber harvest.

On May 26, 1993, we briefed your staff regarding our review of the Redwood assistance programs. That briefing and this report are based on a site visit to Humboldt and Del Norte counties in California, including interviews with program administrators and benefit recipients; a review of related reports, including the annual reports prepared by the U.S. Department of the Interior; and an analysis of statistical data from various state agencies regarding population, personal income, taxable transactions, new housing values, and employment. Our review focused on REPP, the primary worker assistance program that was administered from 1978 to 1984.

## Results in Brief

The assistance provided to workers dislocated by the expansion of Redwood National Park was quite extensive, but few workers enrolled in retraining programs. Many workers received wage replacement benefits or severance payments, but these benefits were not tied to retraining. In addition, because Department of Labor regulations for retraining were delayed until 14 months after program implementation, educational

[1]REPP benefits were added to regular state unemployment insurance benefits so that the worker obtained full wage replacement. The amount and length of benefits depended on length of employment in the industry, occupation, previous earnings, and age.

service providers were reluctant to develop retraining programs, and officials lost contact with many of the dislocated workers before they could be provided with retraining.

The benefits provided to workers under REPP were generous. As of December 1988, REPP had spent about $104 million on 3,500 individuals. Some workers received as much as $45,000 in severance payments. However, less than 13 percent of these individuals enrolled in retraining. Of those workers who participated in retraining, officials estimate that about 95 percent completed their training and 25 percent of those relocated. However, because program records were no longer available, we could not determine what happened to individual workers after they received benefits or retraining.

Although we cannot identify what happened to the individual workers, we were able to analyze some changes in the affected communities during the period of the park's expansion. It appears that Humboldt County remained relatively stable during the transition, while Del Norte County experienced more fluctuations. For example, per capita income dropped dramatically in both counties, but the decline was deeper and longer in Del Norte County. Further, average new housing values fluctuated more severely in Del Norte County. However, we could not measure the impact of federal assistance on either community because other factors also affected these communities during this period. For instance, officials in Humboldt County said that a recent influx of retirees to the area helped stabilize property values and retail sales. Likewise, officials in Del Norte County said that the state prison built in September 1989, created 1,800 direct and indirect jobs in Del Norte County.

## Lessons Learned

As Congress considers various programs designed to assist recently dislocated timber workers, the following lessons learned from our review should be helpful.

- If the program is to assist workers in obtaining new skills so they can reenter the workforce, receipt of benefits needs to be closely tied to participation in training.
- Efforts to provide retraining and income support cannot sustain workers or the communities in which they live without the creation of new job opportunities. Del Norte County's economy did not stabilize until the state prison was built.

- Helping dislocated workers before or at the time of job loss increases the likelihood that they will participate in assistance programs, which in turn facilitates their transition to new employment. Unless retraining programs are implemented quickly, program officials may lose contact with dislocated workers.

We did our work between April and July 1993 in accordance with generally accepted government auditing standards. As you requested, we did not obtain agency comments on this briefing report.

We are sending copies of this report to the Secretary of Labor and other interested parties. If you or your staff have any questions concerning this report, please call me at (202) 512-7014. Other major contributors to this report are listed in appendix II.

Linda G. Morra

Linda G. Morra
Director, Education
and Employment Issues

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**Abbreviations**

| | |
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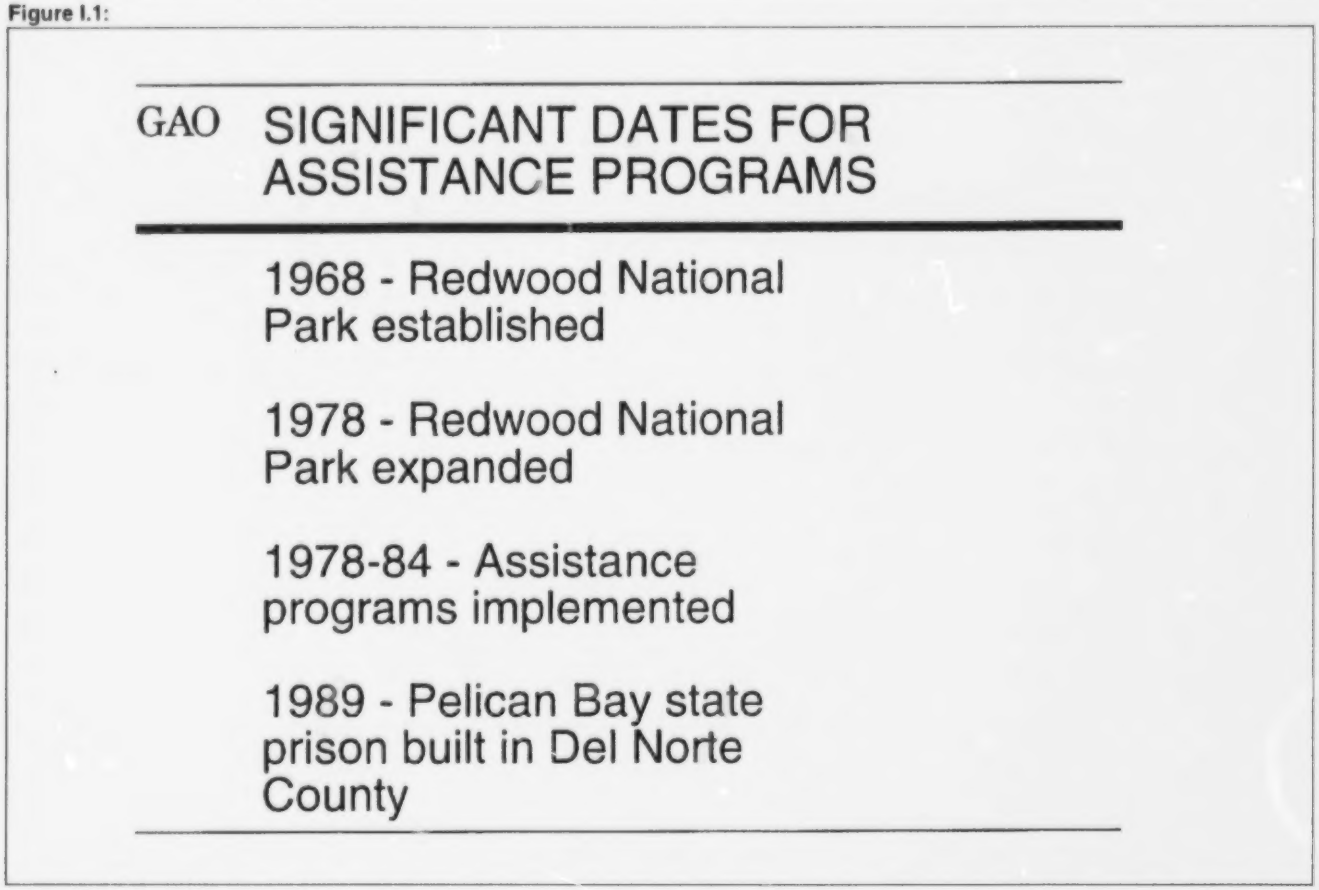
| EDA | Economic Development Administration |
| EDD | Employment Development Department |
| REPP | Redwood Employee Protection Program |

# A Look Back at the Redwood Employment Training Programs

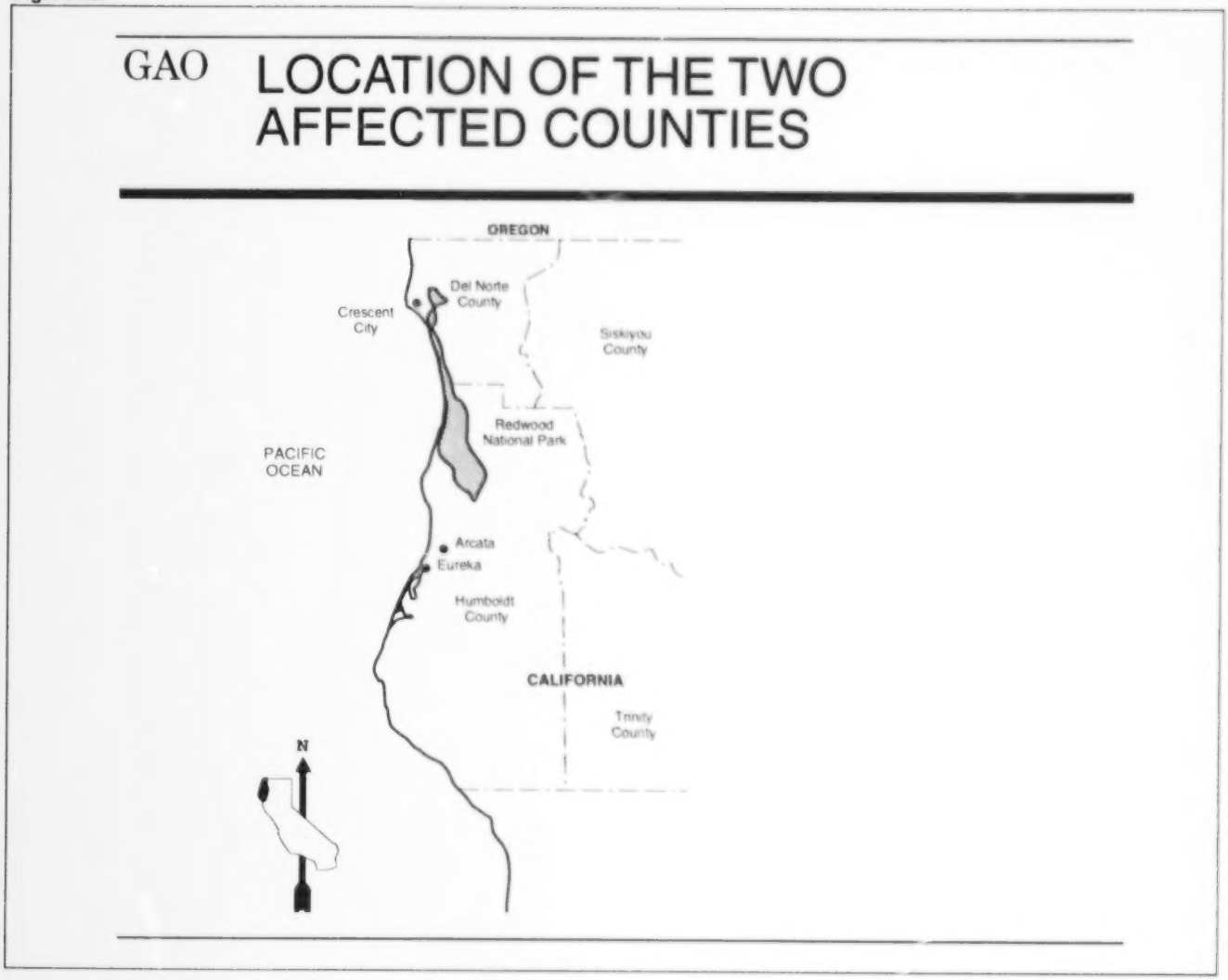
Figure I.1:


GAO
SIGNIFICANT DATES FOR ASSISTANCE PROGRAMS
1968 - Redwood National Park established
1978 - Redwood National Park expanded
1978-84 - Assistance programs implemented
1989 - Pelican Bay state prison built in Del Norte County

## Background

In 1968, Congress set aside 58,000 acres of timber land in northern California to establish Redwood National Park. Congress expanded the park to 106,000 acres in 1978 legislation. The legislation also included economic guarantees for workers and communities in the area that would be adversely affected. From 1978 to 1984, the Redwood Employee Protection Program (REPP) gave dislocated timber workers the wage and fringe benefits they would have received if they had not been laid off. REPP also provided for assistance in retraining and reemployment. Other assistance included economic development loans, preferential hiring in the Redwood National Park, and the designation of the Six Rivers National Forest as an alternative timber harvest.

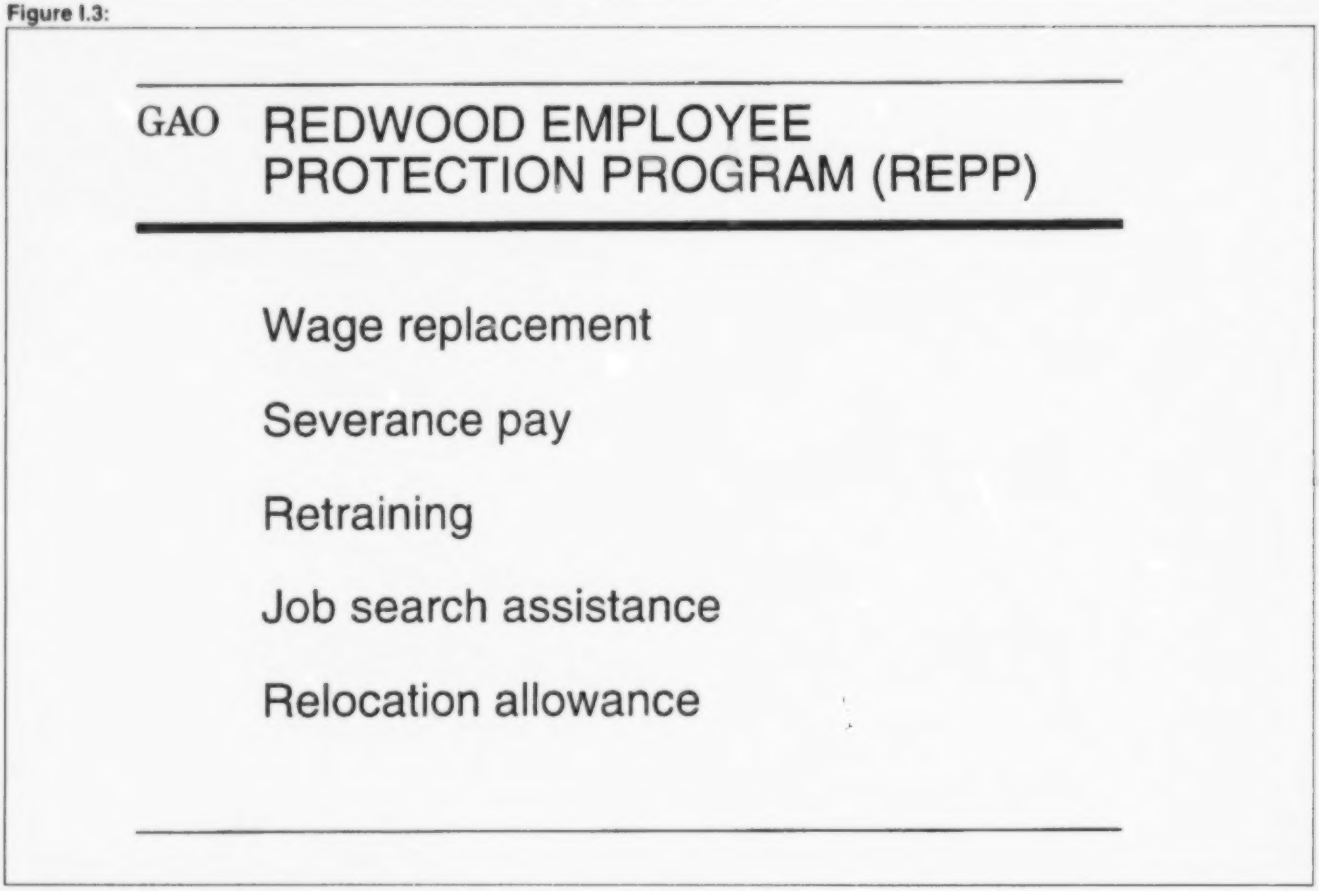
Figure I.2:




Humboldt and Del Norte were the two counties most affected by the park expansion. Humboldt County is adjacent to the southern portion of the national park and at the time of expansion had a population of approximately 107,000 people. Del Norte County is adjacent to the north part of the park and had a population of approximately 18,000 people.

Both counties were dependent on the timber industry and lost many jobs because of the park expansion. In 1978, 6,700 timber industry workers represented about 17 percent all workers in Humboldt County, but by 1992, the number of timber industry workers was reduced to 4,200, less than 10 percent of the workforce. Similarly, in Del Norte County, the number of timber workers in 1978 was 1,475, almost 25 percent of the workforce. By 1992, 350 timber industry workers made up less than 5 percent of the workforce.

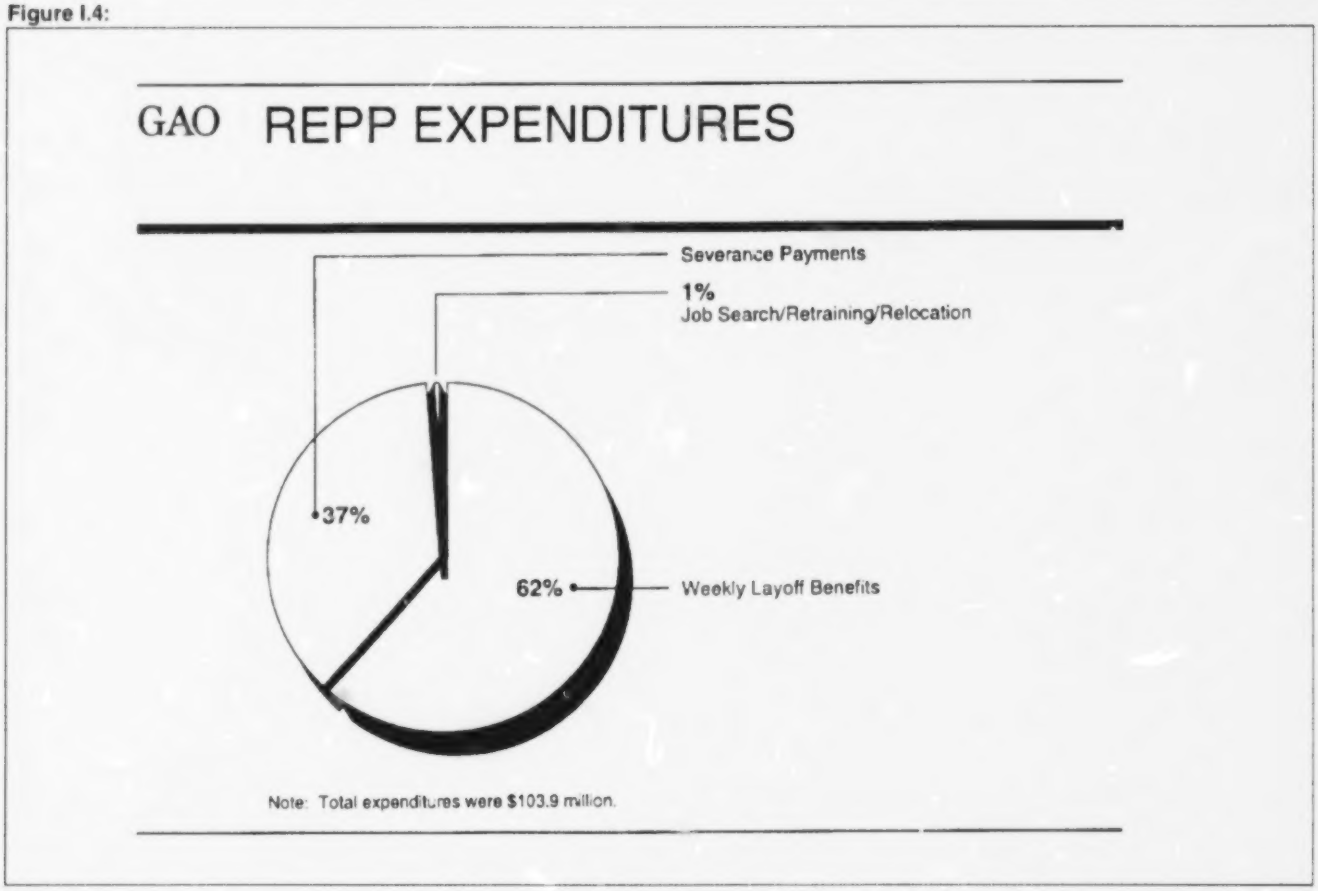
Figure I.3:




## Extensive Benefits Were Provided to Workers, but Few Enrolled in Retraining

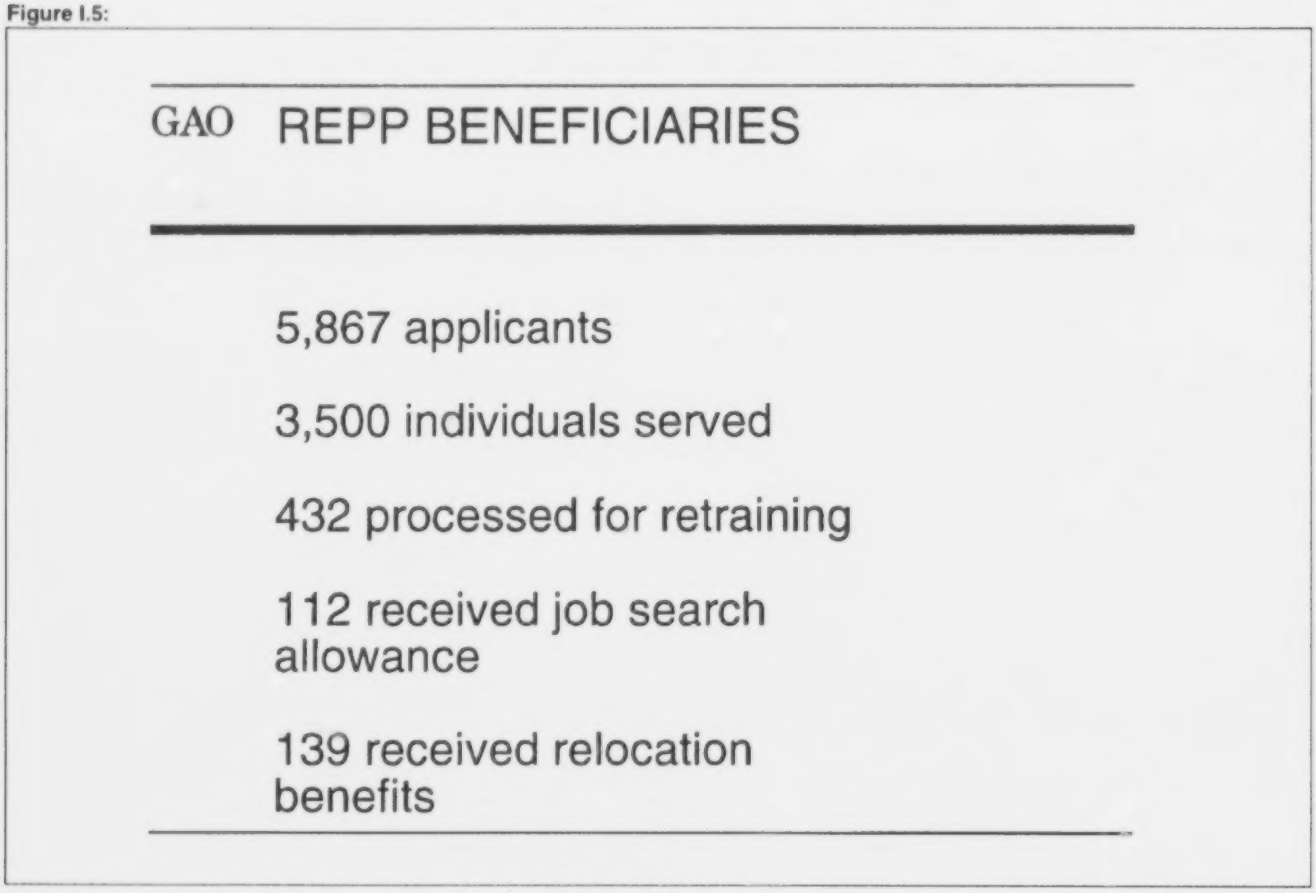
Workers dislocated because of the park expansion were eligible for considerable financial benefits and retraining and reemployment assistance. At the time of the expansion, it was estimated that 500-1,000 workers would be dislocated. However, as of December 1988, almost 6,000 workers had applied for benefits. Officials believe that the generous nature of the benefits encouraged many workers to apply. In total, the Redwood Employee Protection Program (REPP) spent $104 million on 3,500 individuals.

Figure I.4:



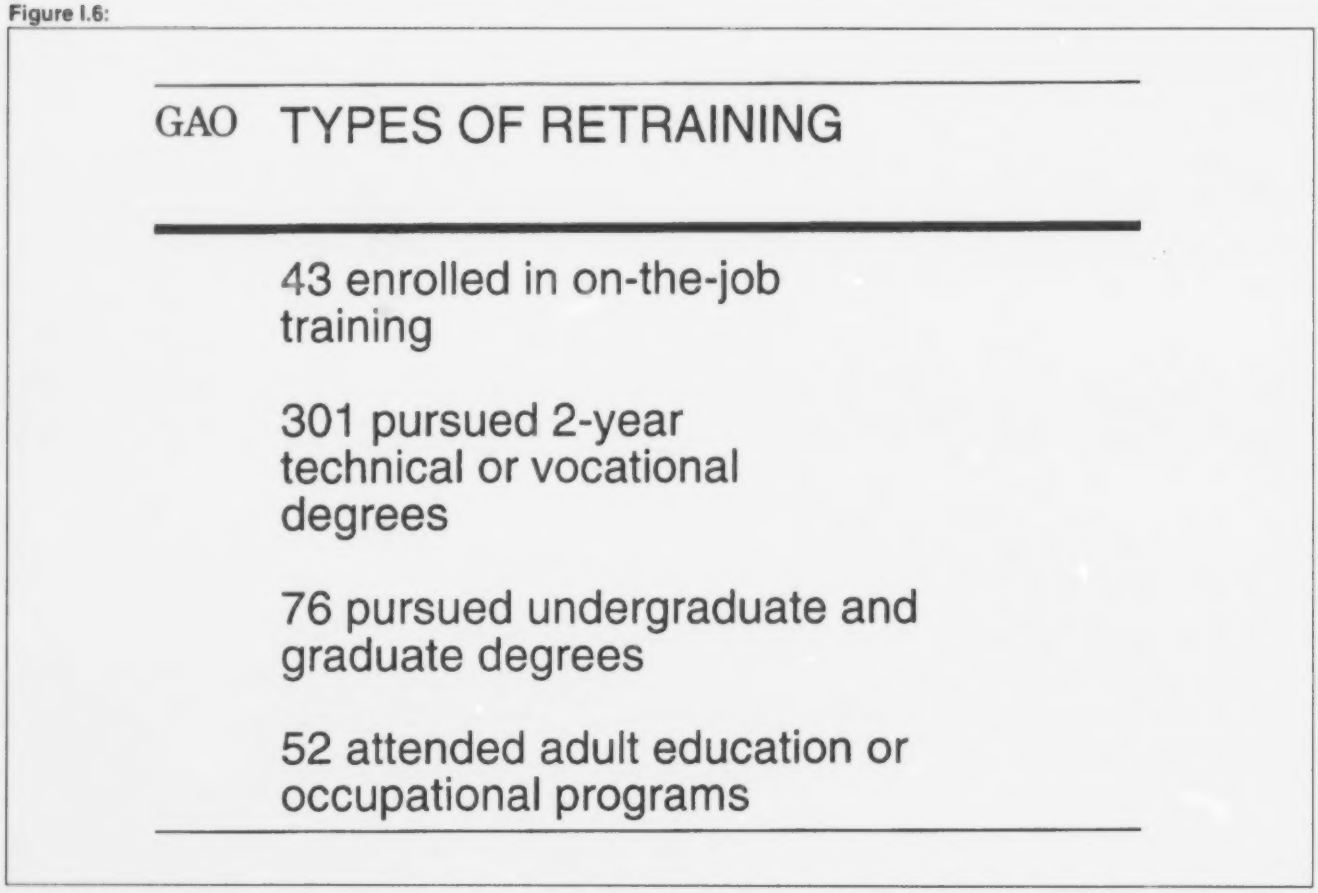

Eligible workers could receive full wage replacement in the form of weekly or lump sum payments for a period of time based on their length of service in the industry and their previous earnings. Most REPP beneficiaries elected to receive weekly layoff benefits, but others received one-time severance payments. According to Department of Labor estimates, weekly layoff benefits ranged from $225 to $400. Severance payments for an employee with 5 or more years' service in the industry ranged from $32,000 to $45,000. For employees with less than 5 years' creditable service, severance payments ranged from $2,500 to $4,500.

Figure I.5:




While many workers applied for cash benefits, few enrolled in retraining. Of the 3,500 individuals who received REPP benefits, only 432 enrolled in retraining. Although the participation rate in training programs was low, officials said that the completion rate was about 95 percent. Officials attributed the high completion rate to the fact that individuals who participated in retraining were allowed to receive their weekly layoff benefits while attending training. According to California Employment Development Department (EDD) officials, about 25 percent of those who received retraining relocated once their training was completed. Officials told us that virtually all 139 that received relocation allowances had participated in training.

Figure I.6:

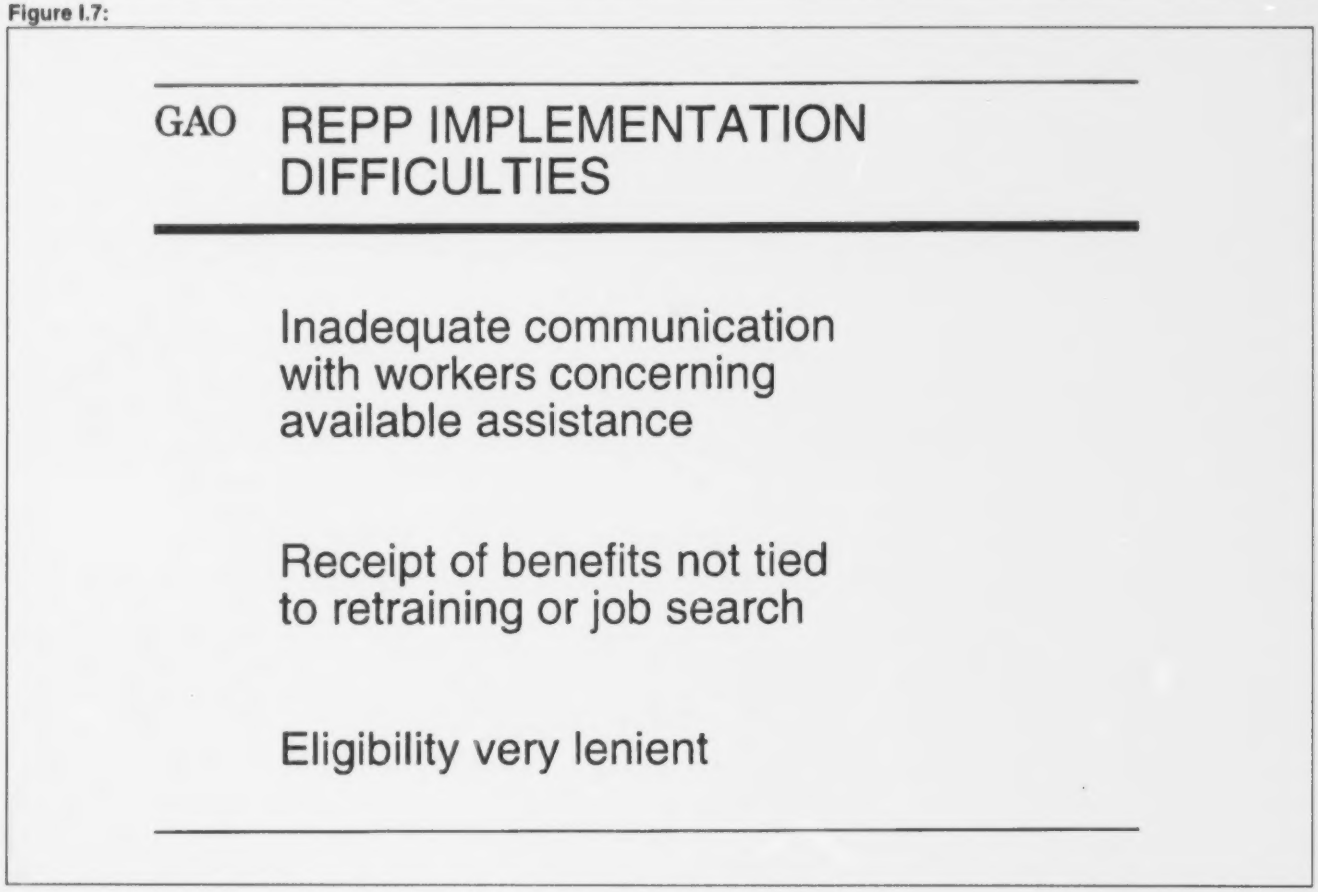

GAO TYPES OF RETRAINING
43 enrolled in on-the-job training
301 pursued 2-year technical or vocational degrees
76 pursued undergraduate and graduate degrees
52 attended adult education or occupational programs

## Most Retraining Participants Enrolled in 2-Year Programs

Most retraining participants enrolled in 2-year programs at the College of the Redwoods.[1] Officials told us that most 2-year programs were in applied technologies such as carpentry, electronics, and automotive repair. Other areas of training included restaurant and business management and computer programming. Officials also said some REPP-eligible workers may have attended more than one school.

[1]The Sixth Annual Report to Congress on the Status of Implementation of Redwood National Park (Washington, D.C.: U.S. Government Printing Office, 1984) was the last to provide comprehensive figures on the types of retraining received by 419 retraining participants enrolled at that time.

Figure I.7:


GAO
REPP IMPLEMENTATION DIFFICULTIES
Inadequate communication with workers concerning available assistance
Receipt of benefits not tied to retraining or job search
Eligibility very lenient

## Problems in Implementation

EDD officials and REPP participants identified several problems they believe hampered the implementation of assistance programs. First, workers and officials told us that communication regarding the program was inadequate. For example, according to some workers, when the layoffs first occurred, official notification of the availability of REPP benefits was limited. Workers said they often found out about the program through informal channels. Workers also said they were not given counseling on what benefit package would be most beneficial to them. In addition, EDD officials said that because Department of Labor retraining regulations were delayed until 14 months after program implementation, educational service providers were reluctant to develop retraining programs. Officials

said that during the delay, it was difficult to maintain contact with the workers.

Second, workers and officials said that the receipt of benefits was not tied to retraining or job search assistance, and the benefits became a disincentive to work. Workers told of people who collected benefits for the maximum allowable period without ever looking for a job. Similarly, in 1980 we reported incidents where senior employees requested to be laid off, and workers refused overtime so that they could receive REPP benefits.[2]

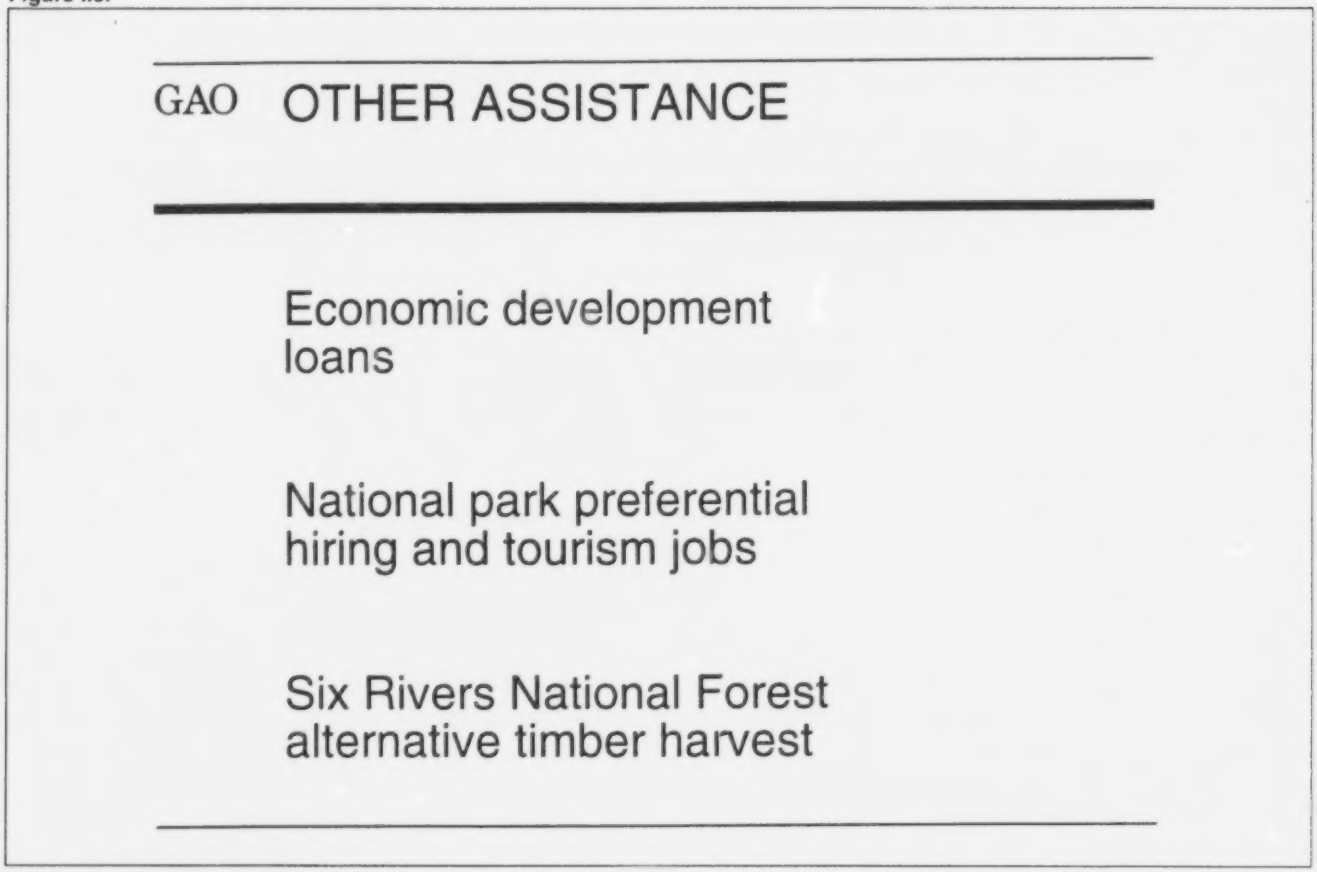
We said the program should

- require workers to exhaust unemployment benefits before receiving cash payments under REPP; and
- provide that monetary benefits be continued at an amount not more than that available under unemployment insurance, rather than replacing the full amount of workers' average weekly net wage.

Third, workers and officials believe that program eligibility was very lenient. Workers told of benefit recipients who received REPP payments and then went back to work for the same employer who had previously laid them off. One worker estimated that at his current timber industry employer, 80 percent of the workers had received REPP benefits. Likewise, our 1980 report said that a major problem with REPP was that the number of employees eligible for REPP benefits greatly exceeded the number of jobs lost because of park expansion. We reported that an estimated 30 percent or more of the employees who established program eligibility did so during temporary curtailments in their employment for maintenance shutdowns, adverse weather conditions, temporary road closures, and a variety of other reasons not related to park expansion. We also found that employees established REPP eligibility after voluntarily quitting to better themselves, for personal reasons, or as a result of a company lockout over a trade dispute. On the other hand, officials said that in some instances, non-timber-industry employers whose business dramatically declined because of park expansion could not get certified and laid-off employees could not get benefits.

[2]Congress Should Scale Down Redwood Employee Program Benefits (GAO-HRD-80-63, July 8, 1980).

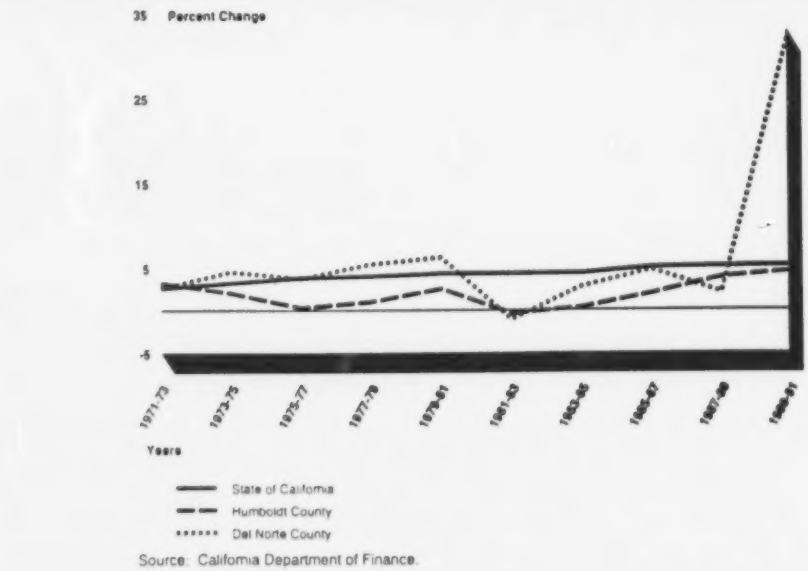
Figure I.8:


GAO OTHER ASSISTANCE
Economic development loans
National park preferential hiring and tourism jobs
Six Rivers National Forest alternative timber harvest

## Other Assistance Focused on Job Creation

The U.S. Economic Development Administration (EDA) gave community agencies about $13.4 million for high-risk business loans and infrastructure development that, according to local officials, created over 600 jobs. In addition, Redwood National Park was required to give preferential hiring to dislocated workers whenever possible. Park advocates projected that 2 million annual visitors to the park would stimulate the growth of tourism-related jobs, but few dislocated workers qualified for long-term park jobs, and annual visitors were below original estimates. The government also designated Six Rivers National Forest as an alternative timber harvest area, but one county official said that the harvest has been reduced significantly due to environmental restrictions.

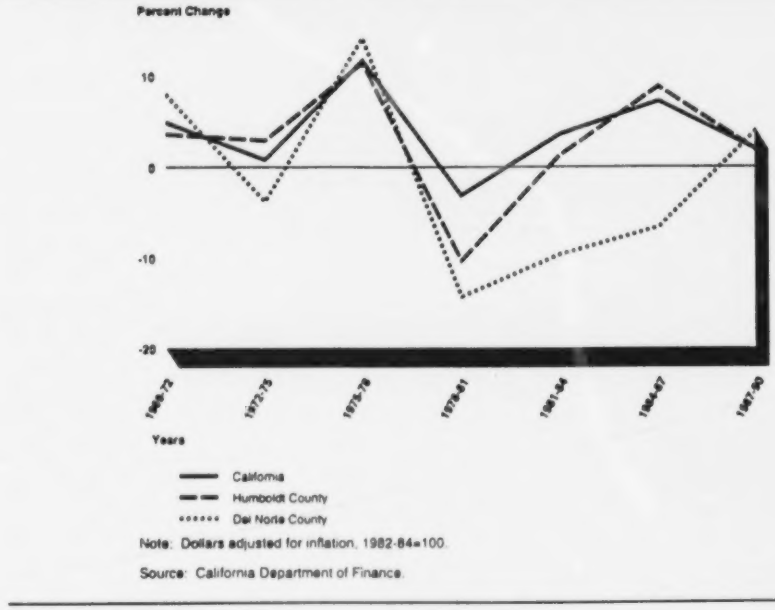
Figure I.9:




## Both Counties Experienced Overall Population Growth

Officials estimated that 30 percent of the dislocated timber workers from Humboldt County and 50 percent of the dislocated timber workers from Del Norte County moved out of the area between 1978 and 1984. However, each county has experienced population growth since 1971. Humboldt County increased from 101,300 people in 1971 to 122,300 by 1991. In Del Norte County, the population increased from 15,100 people in 1971 to 27,000 in 1991. Humboldt officials told us that their population remained relatively stable during the park expansion. Del Norte officials told us that they experienced a population increase in 1989 when Pelican Bay State Prison was built and 1,200 guards and their families relocated to the area.

Figure I.10:

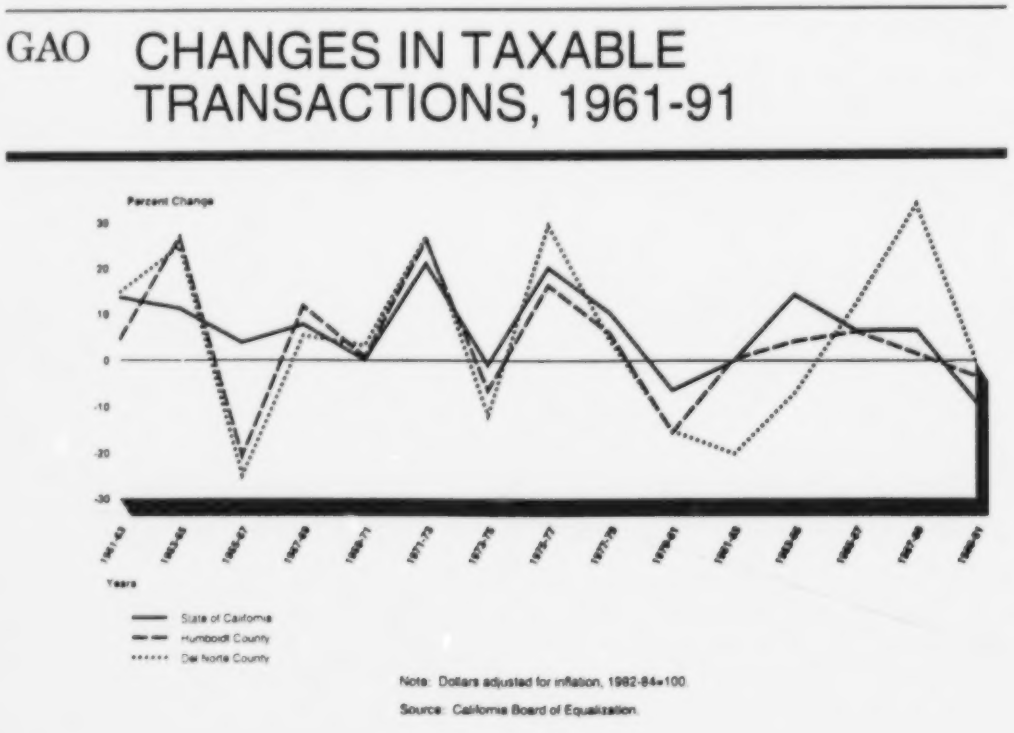



## Del Norte County Experienced a Longer Decline in Per Capita Personal Income

Del Norte County experienced a deeper decline in per capita personal income for a longer period than Humboldt County.[3] Per capita personal income declined 10 percent in Humboldt County and 14 percent in Del Norte County from 1978 to 1981, but Del Norte continued to experience a decline for an additional 6 years, until 1987.

[3]Per capita personal income includes wages, salaries, other labor income, fringe benefits, and transfer payments.

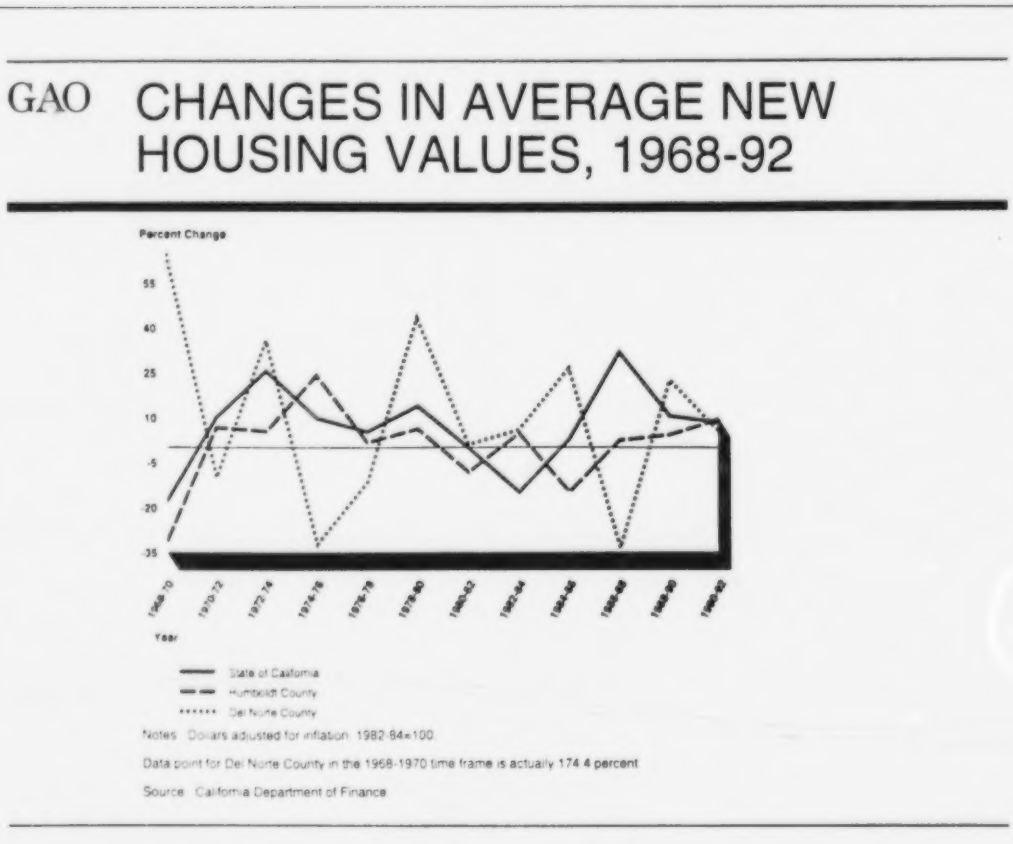
Figure I.11:




## Changes in Taxable Transactions During Initial Park Establishment Were Sharper Than During Park Expansion

During the initial 1968 park establishment, taxable transactions experienced a sharper decrease and quicker recovery than during the period following the 1978 park expansion. However, according to one official, no assistance programs were implemented to offset the effects of the initial park establishment.

Figure I.12:



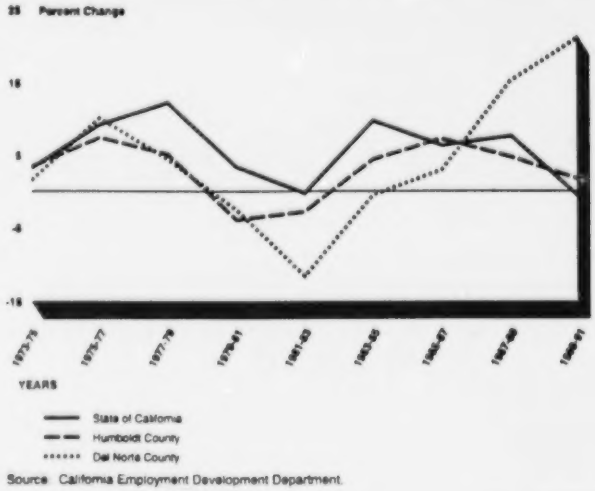

## Average New Housing Values Fluctuated More Severely in Del Norte County

Since 1968, Del Norte County has experienced greater fluctuation in average new housing values than Humboldt County. For instance, from 1978 to 1984 Humboldt County average new housing values increased 2 percent from $63,205 to $64,397.[1] However, in Del Norte County, average new housing values have increased 53 percent, from $45,087 to $68,974. Humboldt County officials told us that a steady influx of retirees helped stabilize housing values in the area. In Del Norte County, officials said housing values only improved after the state prison was built in 1989.

[1]All housing dollars use 1982-84 as a base for the dollar value.

Figure I.13:

GAO CHANGES IN WAGE AND SALARY WORKERS, 1973-91

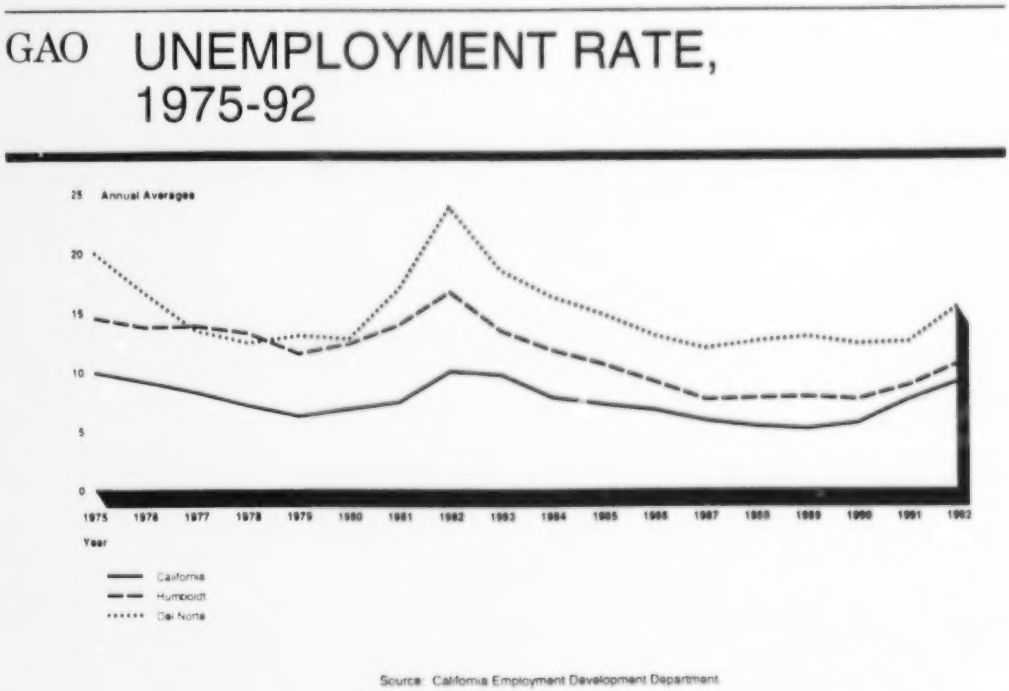



Source: California Employment Development Department.

## Number of Wage and Salary Workers Declined During Most Years of Assistance Programs

Both counties experienced a decline in the number of wage and salary workers from 1979-1982. However, since 1985, both counties' number of wage and salary workers has increased. From 1989 to 1991, Humboldt County's increased almost 2 percent while Del Norte's increased 21 percent. Del Norte officials attribute the increase in their county to the building of Pelican Bay State Prison. Although few dislocated workers qualified for the 1,200 corrections officer positions, one official estimated that about 600 indirect jobs in the local community were created. For example, officials said that jobs in the construction industry increased, and local retailers were able to hire more workers.

Figure I.14:

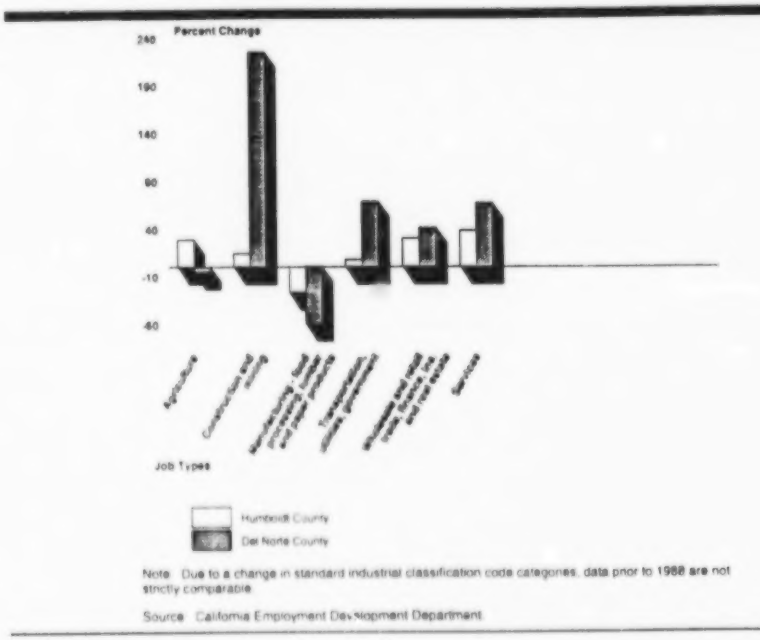



## Unemployment Rate Consistently Above the State Average

The unemployment rate peaked in 1982 for Humboldt and Del Norte Counties at 17 and 24 percent, respectively.[5] During the years when assistance programs were in effect, Del Norte's unemployment rate was almost double the state rate. Since 1975, Del Norte has never had less than double-digit unemployment. On the other hand, Humboldt County's unemployment rate was between 4 and 6 percentage points higher than the state average during the years of assistance programs, but gradually leveled out to be about 2 percentage points higher.

[5]Due to a change in standard industrial classification code categories, data prior to 1988 are not strictly comparable to 1988-1992 data.

Figure I.15:




## Manufacturing Jobs Have Decreased, but Construction, Service, Retail, and Government Jobs Have Increased

Both counties lost the most jobs in manufacturing. Del Norte County experienced the biggest loss in lumber and paper products, but also lost some jobs in agriculture. Humboldt County lost the most jobs in lumber and paper products, but also experienced a decline in food processing jobs. Del Norte County experienced the most growth in construction and mining. Both counties experienced growth in wholesale and retail trade, the service industry, and government. However, one official said that service industry jobs are not comparable to the timber industry jobs because jobs in the service industry generally have lower wages and benefits.

# Major Contributors to This Briefing Report

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